Cambridge Assessment International Education

Cambridge International AS & A Level

ECONOMICS **9708/31**

Paper 3 A Level Multiple Choice **October/November 2024**

1 hour 15 minutes

You must answer on the multiple choice answer sheet.

You will need: Multiple choice answer sheet
Soft clean eraser
Soft pencil (type B or HB is recommended)

INSTRUCTIONS

- There are **thirty** questions on this paper. Answer **all** questions.
- For each question there are four possible answers **A**, **B**, **C** and **D**. Choose the **one** you consider correct and record your choice in soft pencil on the multiple choice answer sheet.
- Follow the instructions on the multiple choice answer sheet.
- Write in soft pencil.
- Write your name, centre number and candidate number on the multiple choice answer sheet in the spaces provided unless this has been done for you.
- Do **not** use correction fluid.
- Do **not** write on any bar codes.
- You may use a calculator.

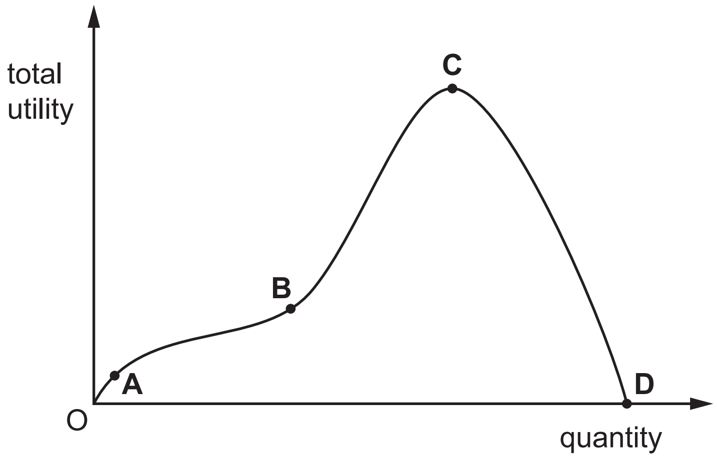
INFORMATION

- The total mark for this paper is 30.
- Each correct answer will score one mark.
- Any rough working should be done on this question paper.

This document has **12** pages.

1 The diagram shows a total utility curve for a consumer.

At which point does marginal utility equal zero?



2 What is a characteristic of an indifference curve?

A It will remain concave to the origin of the diagram.

B It will remain convex to the origin of the diagram.

C It can intersect other indifference curves at any point.

D The lower the indifference curve, the greater the satisfaction attainable.

3 A Belgian traffic study concluded that there would be significant benefits if 10% of car drivers switched to using motorcycles during peak traffic times.

Which result would be considered a cost of this change?

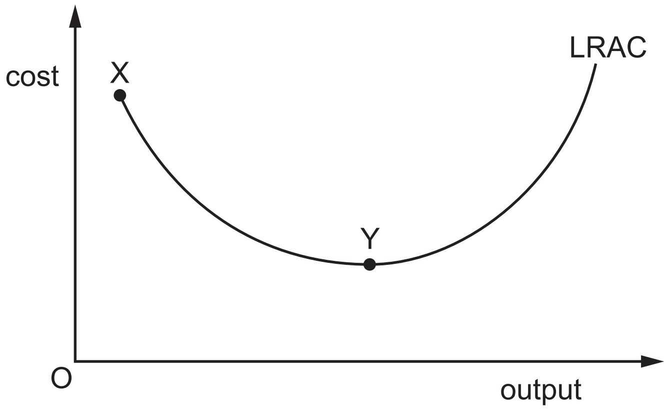
A reduced travel times

B reduced car emissions

C reduced safety standards

D reduced traffic queues

4 The diagram shows a firm's long-run average cost curve (LRAC).



What could explain the shape of the curve from X to Y?

A a decrease in total fixed cost

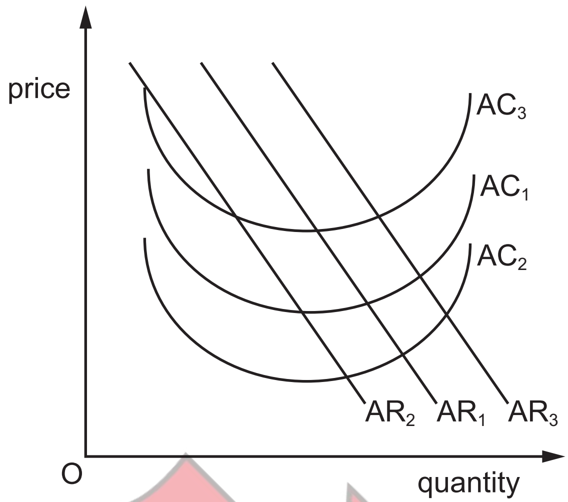
B increasing returns to scale

C internal diseconomies of scale

D more than one factor of production is variable

5 The diagram shows the average revenue (AR) and average cost (AC) curves for a firm X that manufactures electronic goods.

Firm X then completes a takeover of firm Y that supplies its component parts making them cheaper. The original average revenue and average cost curves of firm X are AR_1 and AC_1.



What is the position of the average cost curve and the average revenue curve after the takeover?

	average cost	average revenue
A	AC_1	AR_3
B	AC_2	AR_1
C	AC_2	AR_3
D	AC_3	AR_2

6 LMN Ltd operates as a relatively small, family-owned producer in an industry dominated by a few large firms. Its product is unique so the owners are confident they will be able to sell enough to provide them with sufficient revenue to allow a minimum acceptable level of performance for the firm.

Other than survival, what is the most likely objective of LMN Ltd?

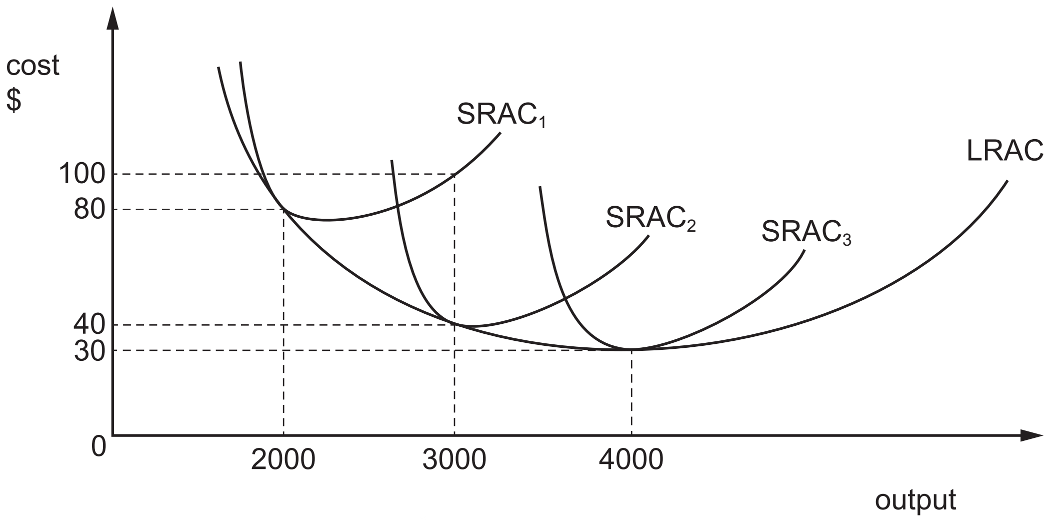
A profit maximising

B profit satisficing

C revenue maximising

D sales maximising

7 The diagram shows the short-run average cost, SRAC, and long-run average cost, LRAC, curves for a firm producing computers. It usually produces 2000 computers per week. An increase in demand requires the firm to produce 3000 computers per week.



How much will the average costs change in the long run if the firm makes a permanent decision to produce 3000 computers per week?

A $20 **B** $40 **C** $50 **D** $60

8 What is a characteristic of monopolistic competition?

A no barriers to entry

B identical products

C price takers

D small number of buyers and sellers

9 What is likely to have its cause in the separation of ownership and control in a firm?

A contestable markets

B diseconomies of scale

C principal-agent problem

D prisoner's dilemma

10 Firms X and Y merge in a horizontal integration.

What must be true about the industry and the stage of production in which X and Y operate?

	industry	stage of production
A	different	different
B	different	same
C	same	different
D	same	same

11 Which government policy would **not** be classified as regulation?

A a ban on cocaine consumption

B compulsory wearing of seatbelts in cars

C licences for the extraction of water from rivers

D taxation of cigarettes

12 A government removes a subsidy on a rural school bus service.

What is the effect of this on the market for this bus service?

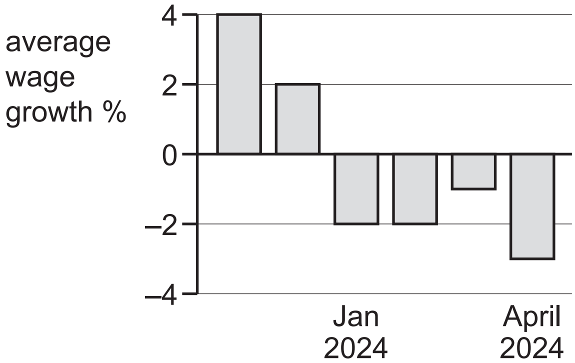
A Deadweight loss decreases.

B Private marginal costs increase.

C Private marginal benefit decreases.

D Social marginal costs decrease.

13 The graph shows the percentage growth in average earnings for an economy.



What is the most likely cause of the pattern shown in the graph?

A a decrease in the supply of labour

B a decrease in the interest rate

C an increase in productivity

D an increase in the size of the labour force

14 The table shows the output of chairs at a factory when different numbers of workers are employed.

number of workers	0	1	2	3	4	5
number of chairs produced	0	7	17	26	34	40

When will diminishing marginal returns to labour set in?

A when the second worker is employed

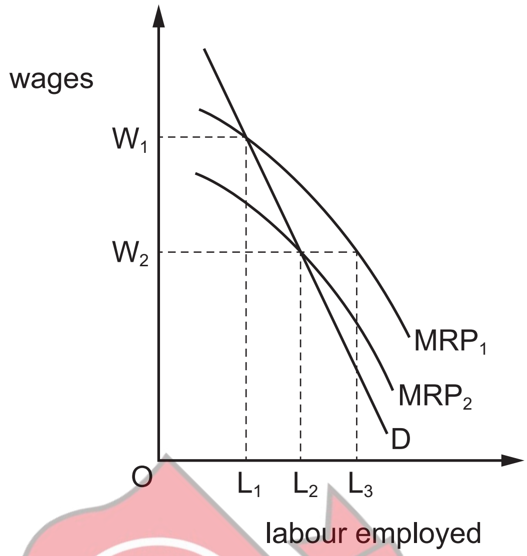
B when the third worker is employed

C when the fourth worker is employed

D when the fifth worker is employed

15 In the diagram, D represents the long-run demand curve for labour in a firm operating in an imperfect market.

When there is a fall in the amount of capital invested per worker, the marginal revenue productivity of labour (MRP) curve shifts from MRP_1 to MRP_2.



How does this shift affect the amount of labour employed in the long run, when wages fall?

A It falls from L_3 to L_2.

B It increases from L_1 to L_2.

C It increases from L_2 to L_3.

D It remains the same at L_1.

16 Which statement about money is correct?

A It consists solely of deposits held by commercial banks.

B It functions as a medium of exchange.

C Its monetary value equals its production costs.

D It operates only when there is a double coincidence of wants.

17 In country X, unemployment is rising at the same time as the number of job vacancies is increasing.

What is the most likely reason for this?

A Economic growth is falling.

B Economic growth is rising.

C Geographical mobility of labour is rising.

D Occupational immobility of labour is rising.

18 An increase in which variable affecting labour markets is most likely to reduce the natural rate of unemployment?

A the level of unemployment benefit

B the militancy of trade unions

C the national minimum wage

D the participation on training courses

19 A consumer has an income of $1000 per week. The consumer spends 80% of this on goods and services.

Following an increase in the consumer's income to $1200 per week, consumption increases to $900 per week.

Which statement is correct?

A The average propensity to consume does not change.

B The initial average propensity to consume is 5.

C The marginal propensity to consume is 0.5.

D The marginal propensity to consume is 2.

20 The table shows data about the population of a country.

total population	2 000 000
labour force	1 200 000
number of people employed	900 000
number of people unemployed	300 000

What is the rate of unemployment?

A 25% **B** 33% **C** 60% **D** 75%

21 What is **not** an aim of macroeconomic policy?

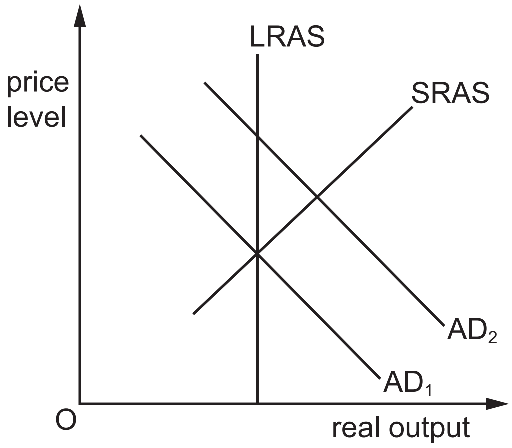
A economic development

B exchange rate stability

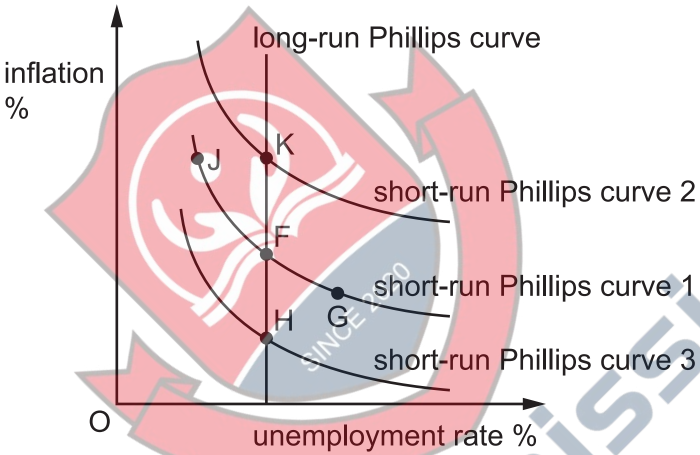
C Pareto optimality

D satisfactory balance of payments

22 The diagram shows an increase in aggregate demand (AD) from AD_1 to AD_2.



How can the subsequent impact on short-run and long-run macroeconomic equilibrium positions be shown using expectations-augmented Phillips curves?



A F to G to H

B F to G to K

C F to J to H

D F to J to K

23 How could high interest rates increase a country's rate of inflation?

A by increasing the current borrowing costs of business

B by increasing the current borrowing costs of government

C by increasing the foreign exchange rate of the currency

D by increasing the opportunity cost of spending

24 What is most likely to influence subsequent increases in national income as a result of a government policy of reduced interest rates?

A marginal cost

B marginal efficiency of capital

C marginal product

D marginal utility

25 Which policy to reduce a current account deficit on the balance of payments could be described as an expenditure-switching policy?

A a decrease in government spending

B a decrease in the exchange rate of the country's currency

C an increase in domestic income taxes

D an increase in domestic interest rates

26 Which components are included in the financial account of the balance of payments?

	foreign direct investment	interest, profits and dividends
A	✓	✗
B	✗	✗
C	✓	✓
D	✗	✓

key
✓ = included
✗ = not included

27 It is often argued that the UN Human Development Index (HDI) is a better indicator of economic development than income per capita because it adjusts for

A average hours worked by the population.

B environmental pollution.

C inequality in income distribution.

D life expectancy at birth.

28 Some conditions for providing foreign aid to low-income countries can be restrictive.

Which kind of aid fits this description?

A food aid in the event of natural catastrophes such as severe drought

B grants that are tied to purchasing donor country goods

C loans that are repaid over a long period at a low rate of interest

D technical assistance using highly skilled worker transfers to provide support

29 What is most likely to cause the living standards of a country to rise?

A an increase in the number of doctors

B an increase in the gold reserves

C an increase in the number of people per house

D an increase in the money supply

30 Globalisation means that goods and services, capital and labour are traded on a worldwide basis.

Which combination illustrates that each trade partner can benefit when a low-income country trades with a high-income country?

	the low-income country	the high-income country
A	contracts are not always fulfilled due to corrupt practices	agrees to increase investment in the infrastructure of low-income countries
B	experiences liquidity problems that restrict investment	transfers short-term government loans repayable at high interest rates
C	multinational companies repatriate profits from mining of rare minerals for export	receives supplies at high prices from multinationals to meet excess demands for rare metals
D	supplies seasonal labour to overcome shortages for picking fruit crops	repatriates wages to families of seasonal workers